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Viewing cable 08SANJOSE133, COSTA RICA AND CHINA: THE HONEYMOON CONTINUES

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Understanding cables

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- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08SANJOSE133**.

Reference ID	Created	Released	Classification	Origin
08SANJOSE133	2008-02-20 14:34	2011-08-30 01:44	CONFIDENTIAL	Embassy San Jose

Appears in these articles:

<http://www.nacion.com/2011-03-04/Investigacion/NotasDestacadas/Investigacion2697549.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697564.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotaPrincipal/Investigacion2697557.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697581.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697579.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2702553.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/Relacionados/Investigacion2702554.aspx>

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P 201434Z FEB 08
FM AMEMBASSY SAN JOSE
TO RUEHC/SECSTATE WASHDC PRIORITY 9448
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 0141
RHMFISS/HQ USSOUTHCOM MIAMI FL PRIORITY
RUEHIN/AIT TAIPEI PRIORITY 0082

C O N F I D E N T I A L SAN JOSE 000133

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DEPARTMENT FOR WHA/CEN AND EAP/CM
SOUTHCOR FOR FPA

E.O. 12958: DECL: 02/17/2018

TAGS: [PREL](#) [PGOV](#) [PINR](#) [ETRD](#) [ENRG](#) [MASS](#) [XK](#) [CS](#)

SUBJECT: COSTA RICA AND CHINA: THE HONEYMOON CONTINUES

REF: A. 2007 SAN JOSE 01783 AND PREVIOUS

[B](#). SAN JOSE 0071 (NOTAL)

[C](#). SAN JOSE 0003 (NOTAL)

Classified By: ADCM David E. Henifin per 1.4 (d)

[1](#). (C) SUMMARY: Sino-Costa Rican relations continue to deepen smoothly, if slowly (Ref A). The first tangible results of the GOCR,s June 2007 recognition of China -- USD 20 million in disaster relief, and loans and grants for development projects -- have begun to flow. Both governments are highlighting potential tourism, trade, development and energy projects; negotiations on a free trade agreement may begin later this year. The GOCR insists (privately) that this is not a one-way relationship. The Arias administration welcomes the PRC,s largesse, but maintains that it will not shy away from raising prickly issues such as human rights. The GOCR also seeks to make the aid relationship with China far more transparent than it was with Taiwan. From a US strategic perspective, the new Chinese generosity here is another reason we must remain engaged in Costa Rica through humanitarian and other assistance projects. END SUMMARY.

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SHOW US THE MONEY
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[2](#). (SBU) President Arias,s October 2007 visit to China was heavy on showmanship and symbolism, but MFA sources confirm that 11 agreements were signed, ranging from trade to tourism (China declared Costa Rica a "preferred destination" for tourism), to student exchanges. The first batch of scholarship students, including the son of PLN legislator Federico Tinoco, is already studying in Beijing. A steady stream of PRC officials, including the VM for Tourism and a commercial delegation, have since visited Costa Rica.

[3](#). (SBU) The first tangible result of the newly-established relationship was a pledge of USD 20 million in disaster assistance following last year,s devastating rainy season (Ref B). The MFA confirmed this was a no-strings-attached grant, which will be used primarily to reconstruct damaged housing, according to National Emergency Committee (FEMA-equivalent) director Daniel Gallardo. The actual funds were transferred to the GOCR on December 16, in conjunction with a ceremony at the MFA.

[4](#). (SBU) The next tranche of assistance, totaling USD 28 million, will underwrite specific infrastructure projects, according to MFA sources. The showcase will be a new stadium and sports complex in San Jose, which the MFA tacitly acknowledges seems to be part of the "standard" Chinese aid package for countries which recognize the PRC. President Arias was shown sample facilities while in China. Low income housing may be another component of the 28 million, with completion of the highway to San Ramon (begun by the Taiwanese) rounding out the package. By mid-January, the local media were speculating that the total overall value of this tranche may actually be closer to USD 60 million.

[5](#). (SBU) Catching the spirit (and reflecting the political savvy and national aspirations of PLN mayor Jhonny Araya), the municipality of San Jose, with assistance from the Sino-Costa Rican Chamber of Commerce, announced plans to establish San Jose's own Chinatown. This project is expected to promote tourism, encourage cultural exchanges, and beautify blighted areas of the declining center city.

[6](#). (SBU) Rounding out the PRC,s assistance is a sizable purchase of Costa Rican bonds, probably totaling USD 250-300 million. (The MFA and Hacienda have declined to confirm the

actual number.) The purchase will make China the largest holder of Costa Rican bonds.

¶7. (C) According to the MFA, whether related to bonds, grants or other types of assistance, both governments want to make their aid relationship as transparent as possible. Donations, especially, are to flow openly to the appropriate GOCR agencies, with development projects handled via normal GOCR channels. This is to contrast with the highly flexible, but not always above board assistance provided by Taiwan. MFA sources add that this transparency is also intended to quiet critics of Costa Rica, switching allegiance from Taipei to Beijing, and to highlight Costa Rica as a "model aid recipient" while President Arias pushes his international "Costa Rica Consensus," (which calls for additional assistance to countries which disarm/reduce arms to focus on socio-economic development).

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NEXT, A COSTA RICA-CHINA FTA?

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¶8. (SBU) Ministry of Foreign Commerce (COMEX) has begun a feasibility study that may lead to a free trade agreement. Director General Gabriela Castro told the media on February 11 that the study should be completed in six months, with meetings planned in China in April and in Costa Rica in June. China-related trade expositions continue to take place (the latest sponsored the week of February 11 by a group called "China Ya" (China Now), with an eye to maximizing Costa Rican attendance at the large trade fair in Canton in April. GOCR sources, meanwhile, highlight to the media the rapid growth in bilateral investment and trade since relations were established, which increased by a reported 30 percent from 2006 to 2007. (COMMENT: While some sources describe China as now the second largest market for Costa Rican products after the United States, the current figures are somewhat misleading. In 2006, for example, a reported 90% of Costa Rica's 1.082 billion USD exports to mainland China and Hong Kong was due solely to intra-company shipments of Intel's integrated circuits. This trade would have continued even without normalized relations. Nevertheless, both the statistics as well as the proactive statements by GOCR officials on strengthening trade between the two countries portend strong future growth in the trade relationship.

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OIL EXPLORATION AND ENERGY: PIPE DREAMS?

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¶9. (SBU) On January 18, the GOCR and the PRC Embassy announced cooperative efforts in energy production, the culmination of several months of talks between the two governments. China's National Oil Corporation is to assist in oil exploration and at the same time, provide technical expertise and financial assistance for the modernization and expansion of Costa Rica's Caribbean coast oil refinery, operated by RECOPE, the state-owned petroleum enterprise. The deal may more than triple the facility's capacity. (NOTE: The GOCR is entirely dependent on Venezuelan oil at the moment, although it is negotiating to refine Colombia and Ecuador petroleum locally. Only approximately 20% of Costa Rica's national electrical energy production is oil-dependent, however. The vast majority is generated from renewable hydro-electric sources.)

¶10. (C) Privately, MFA sources explain that the oil project would be supported by the Chinese-purchased bonds, and would envision expanding RECOPE facilities even farther, perhaps by a factor of five. The national port-port oil pipeline (running between Caldera on the Pacific and Limon on the Caribbean) would also be refurbished. The Chinese goal, according to the MFA, would be to turn Costa Rica into a petroleum shipping and refining hub for the region. The PRC would buy crude elsewhere, ship it to Costa Rica for refining (presumably providing some at low cost to RECOPE), then sell it to a 3rd party to ship it to China. Our MFA contacts

acknowledge this may be a very ambitious undertaking, given (a) Costa Rica,s strong environmental lobby and reputation as a green country (which, in the past was cited by the GOCCR as the reason for freezing a petroleum exploration concession previously granted to the US firm, Harken) and (b) possible contradictions with President Arias,s international Peace with Nature initiative.

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COMMENT
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¶11. (C) Both sides are eager to show the benefits of the new Sino-Costa Rican partnership. PRC Ambassador Wang continues to stress in public that Beijing views Costa Rica as the stepping stone to reach other Central American nations, using increased trade, industrial development, and economic assistance as tangible incentives. For its part, the GOCCR wants to put as principled a gloss as possible on its new links to China. The MFA privately tells us that it will not shy away from pressing the PRC on prickly issues such as human rights. This may be easier for Costa Rica, now that it has been elected to the Security Council. From a US strategic perspective, the new Chinese generosity here is another reason we must remain engaged in Costa Rica through humanitarian and other assistance projects, such as the JTF-Bravo MEDRETE exercise and the SOUTHCOM engineering survey in December (Refs B-C). We can't match China's blank check for USD 20 million, but we can offer targeted, effective assistance and sustained involvement.

BRENNAN